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CENTRAL INTELLIGENCE GROUP  
INTELLIGENCE REPORT

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SUPPLEMENT

SUBJECT Currency Problem

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ORIGIN

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1. The currency reform bill does not exempt the Soviet Military Bank funds from devaluation. The Soviet Bank is not a legal Austrian institution. Tsinev raised the question in a quadripartite meeting, asking if the banks of the Allies would be considered credit institutes.

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2. The Soviets desire more time to study the whole problem. The tenor of questions by the Soviet members in the quadripartite meetings indicates that they are exploring every possibility for obtaining special treatment and are marshaling material for propaganda in the event that they ultimately disapprove the measure.

3. The Soviets are in a position to make the following moves:

- a. Approval as law stands prior to the expiration of the thirty-one-day period. This is apparently unlikely.

- b. Approval with modifications favorable to the Soviets. This is more probable. The concessions would include special treatment in conversion, probably at 1 to 1 rate of part (Soviet Military Bank funds) or all Soviet liquid holdings. The best estimate of Soviet liquid assets is somewhat less than one billion schillings with four hundred to five hundred million of this in the bank.

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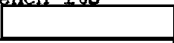

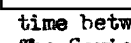
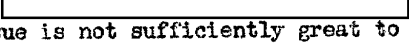
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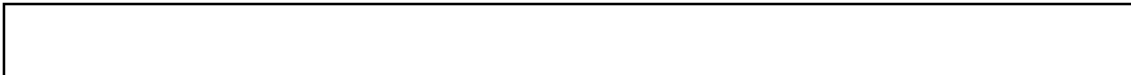
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- 25X1 e. Disapproval and subsequent refusal to recognize the reformed currency in  
the Soviet Zone.
- 25X1 This is a potentiality, but would be the most drastic step possible. Recent  
indications show that lately USIA has been more inclined to entrench its  
25X1 position and cooperate with the Austrians on a long-term basis. 
- 25X1 Comment: 
- 25X1  Refusal to recognize the new currency could be announced at any  
time between now and the date on which the notes will actually be distributed.  
The Soviets might prevent the shipment of money from Vienna into the  
25X1 Russian Zone or might declare the money invalid at any future time prior  
to its actual conversion. The partition of Austria might be precipitated  
25X1 by using the currency reform as an excuse in executing a previously made  
decision to split the country.  failing  
this contingent factor, the issue is not sufficiently great to warrant  
such a step.

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